



## **MAIN STREET TAX CREDIT INCENTIVE PROGRAM GENERAL OVERVIEW & LEGISLATION**

This new incentive program provides a Business and Occupation (B&O) tax credit or Public Utility Tax (PUT) credit for private contributions given to eligible downtown or neighborhood commercial district revitalization organizations or to the Department of Community, Trade and Economic Development's Main Street Trust Fund for downtown and neighborhood commercial district revitalization efforts. After receiving approval from the Department of Revenue, a business may receive a credit for 75% of the value of a contribution made to an eligible downtown or neighborhood commercial district revitalization program or 50% of the value of the contribution made to CTED's Main Street Trust Fund. Businesses may take advantage of the tax credit up to \$250,000 per calendar year. An individual downtown and neighborhood commercial district can receive tax credit contributions up to \$100,000 per calendar year. A total of \$1.5 million in credits may be used per calendar year on a statewide basis.

### **HB 2314, PART IX COMMERCIAL DISTRICT REVITALIZATION**

**NEW SECTION. Sec. 901** (1) The legislature finds: (a) The continued economic vitality of downtown and neighborhood commercial districts in our state's cities is essential to community preservation, social cohesion, and economic growth; (b) In recent years there has been a deterioration of downtown and neighborhood commercial districts in both rural and urban communities due to a shifting population base, changes in the marketplace, and greater competition from suburban shopping malls, discount centers, and business transacted through the internet; (c) This decline has eroded the ability of businesses and property owners to renovate and enhance their commercial and residential properties; and (d) Business owners in these districts need to maintain their local economies in order to provide goods and services to adjacent residents, to provide employment opportunities, to avoid disinvestment and economic dislocations, and to develop and sustain downtown and neighborhood commercial district revitalization programs to address these problems. (2) It is the intent of the legislature to establish a program to: (a) Work in partnership with these organizations; (b) Provide technical assistance and training to local governments, business organizations, downtown and neighborhood commercial district organizations, and business and property owners to accomplish community and economic revitalization and development of business districts; and (c) Certify a downtown or neighborhood commercial district organization's use of available tax incentives.

**NEW SECTION. Sec. 902** Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter. (1) "Applicant" means a person applying for a tax credit under this chapter. (2) "Contribution" means cash contributions. (3) "Department" means the department of revenue. (4) "Person" has the meaning given in RCW 82.04.030. (5) "Program" means a nonprofit organization under internal revenue code sections 501(c)(3) or 501(c)(6), with the sole mission of revitalizing a downtown or neighborhood commercial district area, that is designated by the department of community, trade, and economic development as described in sections 908 through 912 of this act. (6) "Main street trust fund" means the department of community, trade, and economic development's main street trust fund account under section 912 of this act.

**NEW SECTION. Sec. 903** (1) Application for tax credits under this chapter must be made to the department before making a contribution to a program or the main street trust fund. The application shall be made to the department in a form and manner prescribed by the department. The application shall contain information regarding the proposed amount of contribution to a program or the main street trust fund, and other information required by the department to determine eligibility under this act. The department shall rule on the application within forty-five days. Applications shall be approved on a first-come basis. (2) The person must make the contribution described in the approved application by the end of the calendar year in which the application is approved to claim a credit allowed under section 904 of this act. (3) The department shall not accept any applications before January 1, 2006.

**NEW SECTION. Sec. 904** (1) Subject to the limitations in this chapter, a credit is allowed against the tax imposed by chapters 82.04 and 82.16 RCW for approved contributions that are made by a person to a program or the main street trust fund. (2) The credit allowed under this section is limited to an amount equal to: (a) Seventy-five percent of the approved contribution made by a person to a program; or (b) Fifty percent of the approved contribution made by a person to the main street trust fund. (3) The department may not approve credit with respect to a program in a city or town with a population of one hundred ninety thousand persons or more. (4) The department shall keep a running total of all credits approved under this chapter for each calendar year. The department shall not approve any credits under this section that would cause the total amount of approved credits statewide to exceed one million five hundred thousand dollars in any calendar year. (5) The total credits allowed under this chapter for contributions made to each program may not exceed one hundred thousand dollars in a calendar year. The total credits allowed under this chapter for a person may not exceed two hundred fifty thousand dollars in a calendar year. (6) The credit may be claimed against any tax due under chapters 82.04 and 82.16 RCW only in the calendar year immediately following the calendar year in which the credit was approved by the department and the contribution was made to the program or the main street trust fund. Credits may not be carried over to subsequent years. No refunds may be granted for credits under this chapter. (7) The total amount of the credit claimed in any calendar year by a person may not exceed the lesser amount of the approved credit, or seventy-five percent of the amount of the contribution that is made by the person to a program and fifty percent of the amount of the contribution that is made by the person to the main street trust fund, in the prior calendar year.

**NEW SECTION. Sec. 905** To claim a credit under this chapter, a person must electronically file with the department all returns, forms, and other information the department requires in an electronic format as provided or approved by the department. Any return, form, or information required to be filed in an electronic format under this section is not filed until received by the department in an electronic format. As used in this subsection, "returns" has the same meaning as "return" in RCW 82.32.050.

**NEW SECTION. Sec. 906** The department of community, trade, and economic development shall provide information to the department to administer this chapter, including a list of designated programs that shall be updated as necessary.

**NEW SECTION. Sec. 907** Chapter 82.32 RCW applies to the administration of this chapter.

**NEW SECTION. Sec. 908** The definitions in this section apply throughout this chapter unless the context clearly requires otherwise. (1) "Area" means a geographic area within a local government that is described by a closed perimeter boundary. (2) "Department" means the department of community, trade, and economic development. (3) "Director" means the director of the department of community, trade, and economic development. (4) "Local government" means a city, code city, or

town. (5) "Qualified levels of participation" means a local downtown or neighborhood commercial district revitalization program that has been designated by the department.

**NEW SECTION. Sec. 909** The Washington main street program is created within the department. In order to implement the Washington main street program, the department shall: (1) Provide technical assistance to businesses, property owners, organizations, and local governments undertaking a comprehensive downtown or neighborhood commercial district revitalization initiative and management strategy. Technical assistance may include, but is not limited to, initial site evaluations and assessments, training for local programs, training for local program staff, site visits and assessments by technical specialists, local program design assistance and evaluation, and continued local program on-site assistance; (2) To the extent funds are made available, provide financial assistance to local governments or local organizations to assist in initial downtown or neighborhood commercial district revitalization program start-up costs, specialized training, specific project feasibility studies, market studies, and design assistance; (3) Develop objective criteria for selecting recipients of assistance under subsections (1) and (2) of this section, which shall include priority for downtown or neighborhood commercial district revitalization programs located in a rural county as defined in RCW 43.160.020(12), and provide for designation of local programs under section 910 of this act; (4) Operate the Washington main street program in accordance with the plan developed by the department, in consultation with the Washington main street advisory committee created under section 911 of this act; and (5) Consider other factors the department deems necessary for the implementation of this chapter.

**NEW SECTION. Sec. 910** (1) The department shall adopt criteria for the designation of local downtown or neighborhood commercial district revitalization programs and official local main street programs. In establishing the criteria, the department shall consider: (a) The degree of interest and commitment to comprehensive downtown or neighborhood commercial district revitalization and, where applicable, historic preservation by both the public and private sectors; (b) The evidence of potential private sector investment in the downtown or neighborhood commercial district; (c) Where applicable, a downtown or neighborhood commercial district with sufficient historic fabric to become a foundation for an enhanced community image; (d) The capacity of the organization to undertake a comprehensive program and the financial commitment to implement a long-term downtown or neighborhood commercial district revitalization program that includes a commitment to employ a professional program manager and maintain a sufficient operating budget; (e) The department's existing downtown revitalization program's tier system; (f) The national main street center's criteria for designating official main street cities; and (g) Other factors the department deems necessary for the designation of a local program. (2) The department shall designate local downtown or neighborhood commercial district revitalization programs and official local main street programs. The programs shall be limited to three categories of designation, one of which shall be the main street level. (3) Section 902 of this act does not apply to any local downtown or neighborhood commercial district revitalization program unless the boundaries of the program have been identified and approved by the department. The boundaries of a local downtown or neighborhood commercial district revitalization program are typically defined using the pedestrian core of a traditional commercial district. (4) The department may not designate a local downtown or neighborhood commercial district revitalization program or official local main street program if the program is undertaken by a local government with a population of one hundred ninety thousand persons or more.

**NEW SECTION. Sec. 911** (1) The Washington main street advisory committee is created within the department. The members of the advisory committee are appointed by the director and consist of: (a) The director, or the director's designee, who shall serve as chair; (b) Two representatives from local

governments; (c) Five representatives from existing local main street programs or downtown and neighborhood commercial district programs including a combination of staff, property owners, and business owners; and (d) One representative from the Washington trust for historic preservation. (2) The department shall develop a plan for the Washington main street program, in consultation with the Washington main street advisory committee. The plan must describe: (a) The objectives and strategies of the Washington main street program; (b) How the Washington main street program will be coordinated with existing federal, state, local, and private sector business development and historic preservation efforts; (c) The means by which private investment will be solicited and employed; (d) The methods of selecting and providing assistance to participating local programs; and (e) A means to solicit private contributions for state and local operations of the Washington main street program.

**NEW SECTION. Sec. 912** The Washington main street trust fund account is created in the state treasury. All receipts from private contributions, federal funds, legislative appropriations, and fees for services, if levied, must be deposited into the account. Expenditures from the account may be used only for the operation of the Washington main street program.